Mary,
The issues to be resolved before the ROD for an EWA were listed in the last Phase 2 report. These are shown below. We have made progress in clarification of these issues and we know the ranges of viable solutions. Not sure haw far we have to go to make a deal before the ROD.

1. Determine which environmental protections would be provided through prescriptive standards and which would be provided through an EWA.
2. Investigate various approaches for implementing an EWA.
3. Determine how much (1) existing surface and groundwater storage; (2) water purchase contract water; and (3) water generated from co-funding efficiency or reclamation projects will be needed by an EWA as of the first day of EWA operations.
4. Determine how the EWA assets will shift and grow during Stage 1.
5. Determine sharing methods of initial water export improvements (e.g., South Delta improvements).
6. Determine sharing methods of additional Stage 1 water export improvements.
7. Determine EWA rights to use existing and future storage and conveyance facilities.
8. Develop accounting methodologies.
9. Assure that water quality impacts of operational changes to protect fish are adequately dealt with within the CALFED water quality program.
10. Secure adequate, assured funding to support EWA operations at defined levels.
11. Allocate costs of this program.
12. Define institutional control of EWA, including governance, public participation, linkages to CMARP, and decision making process.
13. Determine existing and reliability of existing legal mechanisms to assure intended use of EWA water released for instream purposes.

In general we have to:

- **Define default operating requirements**. Define the flow, water quality, diversion, and storage rules that will govern operations in the absence of an EWA. A key issue will be the form of the relationship between b(2) water management program of the CVPIA and the EWA. Can b(2) water be operated within or in coordination with the EWA?

- **Define the relationship between the EWA and the state and federal projects**. A large percentage of EWA actions will affect or utilize state and federal facilities. The relationship between EWA and the Projects should, therefore, be spelled out in detail. What rights does the EWA have to use surplus capacity. Should the EWA be provided access to project facilities? What priority do EWA operations have compared to water transfers or the delivery of unscheduled water? What priorities would the EWA have relative to other uses of facilities including water transfers and deliveries of scheduled and unscheduled water. How will the costs of EWA operations be calculated? Cost of EWA use of facilities or indirect effects to water users or operators should be developed. How much debt will EWA be allowed to take on at various locations? Limitations on the EWA assuming various types of debt should be developed. Sources of collateral and debt

repayment schemes and procedures should be developed. How much debt will the EWA be allowed to carryover into succeeding water years? What are the repercussions if the EWA cannot repay a debt in a timely manner?

- **Define new Stage 1 assets and divide them between the EWA and the water users.** Assets are physical, institutional, and financial mechanisms for modifying water operations. Possible assets include: (1) rights to a share of allowable diversions; (2) rights to a share of conveyance capacity; (3) rights to a share of storage capacity; (4) the right to grant variances to default operating requirements; and (5) contracts for water deliveries or purchases. Implicit is the notion that usable assets must be backed by adequate financial resources. As an example, the right to increased Banks pumping might simply increase SWP assets, or the right (the asset) could be shared with the EWA. Coupled to JPOD, the increase in Banks pumping might also represent a new asset for the CVP.

- **Relationship to ESA and CVPIA agencies.** The governance of the EWA will be heavily determined by the EWA's role within the broader CALFED solution. Is the primary goal of the EWA to enhance general ecosystem conditions and processes, and/or is the primary goal to protect and enhance endangered species? Governance will also involve asset allocation and debt payment. Will the EWA be required to find replacement water for some or all ESA actions? The EWA could be part of a regulatory assurance and be used as a substitute for separate ESA-type actions. Will the EWA also have upstream responsibilities or be confined to the Delta?

- **Decision Making**. The responsibility for decision making needs to be assigned to existing or new agencies with some specific ground rules as to how decisions are to be made and for coordination with other agencies and stakeholders.

- **Financing**. The EWA must have a reliable revenue stream. Sources and form of distribution will need to be defined and developed prior to implementation. How will that revenue be provided? Who will provide the revenue?